

Your Shares in the TSP Funds

What is a “share”?

A share is a unit of ownership in a company or fund. As a TSP participant, you own shares in the funds in which you are invested.

The balances for each fund in your account are stated in shares as well as in dollar amounts. Each TSP fund has a different share price.

How are daily share prices determined?

Each TSP fund is valued at the end of each business day and, as a result, has a new daily share price. The new price reflects the change (from the previous business day) in the value of the assets held by the fund minus the fund's share of the TSP's daily administrative expenses. The new share price is determined by dividing the fund's new value by the total number of outstanding shares in the fund.

Unlike the F, C, S, I, and L Funds, the G Fund is not affected by daily market volatility. Instead, it earns interest only. A new interest rate is determined at the beginning of each month by the U.S. Treasury. It takes several days for the fund to accrue enough interest to show a share-price increase.

When do share prices change?

Share prices are updated each business day at approximately 7:00 p.m., eastern time.

Does the TSP use the new share prices for my daily transactions?

Yes. Once the new daily share prices for each fund are established, they are applied to your account. Any transactions in your account on that day (that is, contributions, interfund transfers, loan disbursements and payments, withdrawals) are processed using the new share prices. (Your transactions must be accepted by 12:00 noon eastern time in order to be processed that night using that day's new share prices.)

Are the earnings for the TSP funds I'm invested in used to purchase additional shares in those funds?

No. Because the increase or decrease in the value of a fund (that is, earnings) is reflected in the share price, earnings are not reported separately or used to purchase additional shares. An increase or decrease in the value of a fund does not affect the number of shares you own — just their value.

How can I track the number of shares in my account?

The number of shares in your account is shown on your quarterly participant statement (and on your daily account balance on the TSP Web site). It is expressed to four decimal places (for example, 131.2978), using standard rounding rules.

How does my contribution purchase shares in a TSP fund?

For CSRS participants and members of the uniformed services, the calculation is simple — the TSP record keeping system divides your total contribution on the day it is posted by the share price for that day.

For example, let’s say you are a CSRS participant and the portion of your contribution you elected to invest in the S Fund equals \$256.70. If the share price for the S Fund is \$11.27 on the day that your payroll contribution is posted, the number of S Fund shares the TSP will purchase for you will be 22.7773 (\$256.70 divided by \$11.27 = 22.77728, rounded to 22.7773).

If you are a FERS participant, the process used to calculate the number of shares purchased by your contributions is somewhat different because your contributions are broken down by source (that is, the employee contribution, the Agency Automatic (1%) Contribution, and the Agency Matching Contribution). The TSP purchases shares for each source separately. Therefore, *for each fund in which you are invested*, the contribution amount from each source gets divided by the daily share price. Because of rounding rules, when the shares purchased from all three sources are added together, you could end up with slightly more or slightly fewer shares than if you had simply divided your total overall contribution by the fund’s share price.

Example:

| Contribution Source | Share Price | | Number of Shares Purchased Before Rounding | Number of Shares Purchased After Rounding |
|------------------------|-----------------------|---|--|---|
| Employee: | \$294.50 ÷ \$10.43 | = | 28.23586 | 28.2359 |
| Agency Automatic (1%): | 58.90 ÷ 10.43 | = | 5.64717 | 5.6472 |
| Agency Matching: | <u>235.60</u> ÷ 10.43 | = | 22.58869 | <u>22.5887</u> |
| Total: | \$589.00 | | | 56.4718 |

In the example shown here, a FERS participant’s contribution to the C Fund is calculated by source, as described above. The sum of the rounded shares purchased through all three sources is **56.4718**. This represents a difference of .0001 from the result you would get by simply dividing the participant’s total overall contribution (\$589.00) by the share price (10.43) to arrive at **56.4717** (\$589.00 ÷ \$10.43 = 56.47172 shares, rounded to 56.4717 shares).

What is dollar-cost averaging?

Dollar-cost averaging is a system of purchasing shares at regular intervals with a fixed dollar amount. The number of shares may change with each purchase, based on the share price at the time of purchase. The fixed dollar amount buys more shares when the share price is low and fewer shares when the share price is high. If you are investing regularly in the TSP funds through payroll deductions, you are already dollar-cost averaging.

How does dollar-cost averaging benefit me?

The example below illustrates how dollar-cost averaging benefits you.

| Contri- bution | Investment Amount | Share Price | Shares Purchased |
|-------------------|----------------------|----------------|---------------------|
| 1 | \$200 | \$50 | 4 |
| 2 | \$200 | \$40 | 5 |
| 3 | \$200 | \$20 | 10 |
| 4 | <u>\$200</u> | <u>\$40</u> | <u>5</u> |
| Totals | \$800 | \$150 | 24 |

- Average share price of the four contributions: \$150 ÷ 4 = **\$37.50**
- Participant’s cost per share: \$800 ÷ 24 = **\$33.33**

In this example, you made regular contributions of \$200. Since there was a different share price each time you made a contribution, you received a different number of shares for each \$200 contribution you made. With your four contributions, you invested a total of \$800 and purchased a total of 24 shares. Your average share price (that is, the sum of the four share prices divided by the number of contributions, or \$150 ÷ 4) was **\$37.50**. However, because of dollar-cost averaging, your cost per share was only **\$33.33** — the sum of your contributions divided by the number of shares you purchased (\$800 ÷ 24).